

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
CITY OF LINTON
GREENE COUNTY, INDIANA
January 1, 2007 to December 31, 2007



FILED
10/09/2008

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|-------------------------------|--|
| Clerk-Treasurer | B. Jack Shelton | 01-01-04 to 12-31-11 |
| Mayor | Tom Jones | 01-01-04 to 12-31-11 |
| President of the Common Council | Tony Richards Nigel Lehman | 01-01-07 to 12-31-07 01-01-08 to 12-31-08 |
| Superintendent of Utilities | Brent Slover | 01-01-07 to 12-31-08 |
| Superintendent of Water Utility | Jeff Lehman | 01-01-07 to 12-31-08 |
| Superintendent of Wastewater Utility | Timothy Turpen | 01-01-07 to 12-31-08 |
| Superintendent of Sanitation Utility | Timothy Turpen | 01-01-07 to 12-31-08 |
| Superintendent of Gas Utility | Jeff Lehman | 01-01-07 to 12-31-08 |
| Superintendent of Electric Utility | Nicholas House | 01-01-07 to 12-31-08 |



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF LINTON, GREENE COUNTY, INDIANA

We have examined the financial information presented herein of the City of Linton (City), for the period of January 1, 2007 to December 31, 2007. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 22, 2008

CITY OF LINTON
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

| | Cash and Investments 01-01-07 | Receipts | Disbursements | Cash and Investments 12-31-07 |
|--|-------------------------------------|----------------------|----------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 106,977 | \$ 1,594,011 | \$ 1,578,838 | \$ 122,150 |
| Motor Vehicle Highway | 41,162 | 512,680 | 411,241 | 142,601 |
| Local Road and Street | 79,714 | 24,138 | 3,580 | 100,272 |
| Park and Recreation | 38,986 | 74,756 | 90,570 | 23,172 |
| Law Enforcement Continuing Education | 4,240 | 4,315 | 6,301 | 2,254 |
| Cumulative Capital Improvement | 22,756 | 20,280 | 20,999 | 22,037 |
| Cumulative Capital Development | 86,832 | 55,529 | 25,506 | 116,855 |
| Cemetery | (12,542) | 54,478 | 69,828 | (27,892) |
| Fire Department Equipment | 1,977 | 20,000 | - | 21,977 |
| New Fire Station Fund | 71,314 | 139,020 | 138,161 | 72,173 |
| Swimming Pool | 21,557 | 38,192 | 41,878 | 17,871 |
| Golf Course | (29,067) | 382,872 | 421,525 | (67,720) |
| Golf Course Capital Improvement | 1,800 | - | - | 1,800 |
| Glenburn Grant | 1,200 | 107,182 | 108,382 | - |
| Police Department New Equipment | 4,178 | 6,664 | 9,198 | 1,644 |
| 4th Street Project | 40,773 | 13,174 | - | 53,947 |
| Police Department Reserve Fund | 518 | 1,376 | 675 | 1,219 |
| Tom Wall Memorial/Fire Department | 2,185 | - | 1,693 | 492 |
| Tom Wall Memorial/Golf Course | 750 | - | - | 750 |
| Trailer Permit/Inspection | 960 | 635 | 380 | 1,215 |
| Linton Comprehension Planning Grant | - | 20,000 | 20,000 | - |
| New Police Station | (27,322) | 94,661 | 67,339 | - |
| Rainy Day | - | 3,639 | - | 3,639 |
| Major Moves Construction | 39,600 | 2,079 | - | 41,679 |
| Proprietary Funds: | | | | |
| Water Utility - Operating | 379,555 | 1,030,343 | 941,938 | 467,960 |
| Water Utility - Bond and Interest | 30,175 | 217,000 | 92,002 | 155,173 |
| Water Utility - Depreciation | 78,092 | 42,000 | 5,925 | 114,167 |
| Water Utility - Customer Deposit | 24,158 | 5,025 | 4,660 | 24,523 |
| Water Utility - Debt Reserve | 223,000 | - | 52,523 | 170,477 |
| Water Utility - Improvement | 926 | - | - | 926 |
| Wastewater Utility - Operating | 248,220 | 769,369 | 928,190 | 89,399 |
| Wastewater Utility - Bond and Interest | 494,979 | 281,940 | 553,123 | 223,796 |
| Wastewater Utility - Depreciation | 288,801 | 42,000 | 64,206 | 266,595 |
| Wastewater Utility - Debt Reserve | 377,331 | 16,825 | - | 394,156 |
| Electric Utility - Operating | 287,091 | 5,930,762 | 6,205,910 | 11,943 |
| Electric Utility - Depreciation | 1,207,724 | 148,000 | 14,537 | 1,341,187 |
| Electric Utility - Customer Deposit | 158,375 | 41,965 | 38,285 | 162,055 |
| Electric Utility - Cash Reserve | 194,000 | 120,000 | 71,105 | 242,895 |
| Gas Utility - Operating | 27,562 | 3,088,943 | 3,153,461 | (36,956) |
| Gas Utility - Bond and Interest | 42,298 | 922 | - | 43,220 |
| Gas Utility - Depreciation | 381,946 | - | 4,037 | 377,909 |
| Gas Utility - Customer Deposit | 93,205 | 21,778 | 18,585 | 96,398 |
| Gas Utility - Debt Reserve | 88,429 | 938 | - | 89,367 |
| Sanitation Utility- Operating | 130,120 | 583,839 | 533,610 | 180,349 |
| Sanitation Utility - Depreciation | 51,824 | 19,000 | - | 70,824 |
| Miner Broadband | 43,390 | 156 | 43,468 | 78 |
| Fiduciary Funds: | | | | |
| Police Pension | 78,585 | 76,889 | 104,959 | 50,515 |
| Firefighters' Pension | 110,120 | 56,855 | 83,940 | 83,035 |
| Payroll | 67,467 | 3,860,073 | 3,833,590 | 93,950 |
| Totals | <u>\$ 5,605,921</u> | <u>\$ 19,524,303</u> | <u>\$ 19,764,148</u> | <u>\$ 5,366,076</u> |

The accompanying notes are an integral part of the financial information.

CITY OF LINTON
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, health and social services, culture and recreation, highways and streets, public improvements, general administrative services, electric, gas, water, wastewater, sanitation, and broadband internet.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF LINTON
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Refunding Bonds

On September 20, 2007, the City Water Utility issued \$2,280,000 in refunding revenue bonds with an average interest rate of 4.05% to advance refund \$2,175,000 of outstanding Waterworks Revenue Bonds of 2000 with an average interest rate of 5.59%. The net proceeds of \$2,212,973 (after payment of \$90,321 in issuance costs and \$7,781 in bond discount) and local contributions of \$52,522 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Waterworks Revenue Bonds of 2000. As a result, these bonds are considered to be defeased. The refunding resulted in the accounting loss of \$126,905. The Linton Water Utility in effect decreased its aggregate debt service payment by \$89,500 over the next 15 years and realized an economic gain (difference between the present values of the old and new debt service payments) of \$195,258.

CITY OF LINTON

JACK SHELTON, CLERK-TREASURER

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(812) 847-7014

CITY OF LINTON SUPPLEMENTARY INFORMATION SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

| <u>Primary Government</u> | <u>Ending Balance</u> |
|--|---------------------------|
| Governmental activities: | |
| Capital assets, not being depreciated: | |
| Land | \$ 616,772 |
| Buildings | 720,547 |
| Improvements other than buildings | 771,709 |
| Machinery and equipment | <u>2,577,492</u> |
| Total governmental activities, capital assets not being depreciated | <u>\$ 4,686,520</u> |



CITY OF LINTON

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CITY OF LINTON SUPPLEMENTARY INFORMATION SCHEDULE OF LONG-TERM DEBT December 31, 2007

The City has entered into the following debt:

| Description of Debt | Ending Principal Balance | Principal and Interest Due Within One Year |
|--------------------------------------|--------------------------------|---|
| Governmental Activities: | | |
| Capital leases: | | |
| Lawn mowers | \$ 24,008 | \$ 6,616 |
| Notes and loans payable | 117,500 | 30,000 |
| Bonds payable: | | |
| General obligation bonds: | | |
| Fire Station | 1,565,000 | 129,750 |
| Total governmental activities debt | <u>\$ 1,706,508</u> | <u>\$ 166,366</u> |
| Business-type Activities: | | |
| Water Utility | | |
| Revenue bonds: | | |
| Refunding Bonds of 2007 | 2,280,000 | 151,074 |
| Total Water Utility | <u>2,280,000</u> | <u>151,074</u> |
| Wastewater Utility | | |
| Revenue bonds: | | |
| 1995 Wastewater Improvement | 1,565,000 | 201,690 |
| Total Wastewater Utility | <u>1,565,000</u> | <u>201,690</u> |
| Total business-type activities debt: | <u>\$ 3,845,000</u> | <u>\$ 352,764</u> |



CITY OF LINTON
EXAMINATION RESULTS AND COMMENTS

INVESTMENT MATURITY LIMITATIONS

As stated in prior reports, the Gas Utility purchased certain investments which have a stated maturity in excess of two years.

Indiana Code 5-13-9-5.6 states: "Investments made under IC 5-13-9 must have a stated final maturity of not more than two years after the date of purchase or entry into a repurchase agreement."

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

| Fund | Excess Amount Expended |
|--|------------------------------|
| General Fund – Police Department | \$ 43,609 |
| New Fire Station Debt | 7,061 |
| Golf Course | 64,803 |
| Local Law Enforcement Continuing Education | 3,301 |

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

A similar comment appeared in the prior reports.

DEPOSITS (Applies to Cemetery)

As stated in prior reports, in numerous instances, receipts were deposited later than the next business day. Receipts were held up to four months in some instances.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

SERVICE AND TIME RECORDS

Employee time, attendance, or service records were not maintained for Park, Cemetery, Electric, a Gas/Water, MVH/Wastewater/Sanitation Superintendents. A similar comment was contained in prior reports. The Personnel Policy Handbook adopted in August 2005, states in part: ". . . employees should accurately record the time they begin and end their work, as well as the beginning and ending of each meal period."

CITY OF LINTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. Each governmental unit is responsible for complying with ordinances, resolution and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

The cash balance of the Golf Course Fund, Cemetery Fund, Gas Utility - Operating Fund, and Wastewater Utility - Operating Fund were overdrawn as of December 31, 2007.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment appeared in a prior report.

CAPITAL ASSET RECORDS (Applies to Utilities)

As stated in prior reports, detailed capital asset records did not agree with the balances in the ledger.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Asset Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONTRACTS (Applies to City)

As stated in prior reports, the City has not entered into a contract with the custodian of Sunset Park.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT WASTEWATER ACCOUNTS

As stated in prior reports, delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

CITY OF LINTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor; and
 - (C) the amount of the delinquent fees, together with the penalty; or
 - (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent.
- (c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . .
- (e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May . . . "

TRANSFER FROM ELECTRIC CASH RESERVE FUND

On December 31, 2007, the Electric Cash Reserve Fund disbursed \$71,105.09 to the New Police Station Fund. The City Council did not approve the transfer until January 14, 2008.

Indiana Code 8-1.5-3-11(a) states in part:

"The money belonging to each municipally owned utility shall be kept by the municipal fiscal officer as separate funds as required by any bond ordinance or accounting procedures established by the commission or the state board of accounts. The municipal legislative body, with the approval of the board, may transfer surplus earnings of the utility to the general fund. The money may not, however, be transferred unless the terms and conditions of any bond ordinance, resolution, indenture, contract under IC 8-1-2.2, or similar instrument binding upon the utility are complied with."

TEMPORARY TRANSFER OF FUNDS

A temporary transfer of \$36,000 was made in 2005 from the General Fund to the Golf Course Fund and not repaid by December 31, 2005. The loan has not been repaid as of December 31, 2007.

Indiana Code 36-1-8-4 concerning temporary transfer states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . ."

CITY OF LINTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

A similar comment appeared in prior reports.

POLICE PENSION BENEFIT

The calculation of a surviving spouse benefit was underpaid by the City in the amount of \$6,752.65 for the period June 2007 to July 2008.

Indiana Code 36-8-6-9.6(b)(2) states in part: ". . . the surviving spouse of a member who dies after December 31, 1988, an amount per month, during the spouse's life, equal to . . . fifty-five percent (55%) of the monthly benefit the deceased member was receiving or was entitled to receive on the date of the member's death . . ."

The City agreed to pay Mrs. Watson \$6,752.65.

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the examination period:

1. Claims were not adequately itemized.
2. Claims or invoices did not have evidence to support receipt of goods or services.
3. Claims were not signed by the fiscal officer.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;

CITY OF LINTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

CITY OF LINTON
EXIT CONFERENCE

The contents of this report were discussed on August 22, 2008, with Tom Jones, Mayor; and B. Jack Shelton, Clerk-Treasurer. The officials concurred with our findings.